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IN THE

Supreme Court of the United States

OCTOBER TERM, 1948.

No. 495

CONSUMERS COMPANY,

Petitioner,

vs.

CONSUMERS PETROLEUM COMPANY,

Respondent.

REPLY BRIEF FOR PETITIONER.

The Issue and the Facts.

The respondent's brief seeks to confuse the issue and disguise the plain fact that *the only question here involved is whether the petitioner has the right to engage, honestly and in good faith, in the fuel oil business under the name by which it has been known throughout the Chicago area since 1913.* If it is held not to have this right the case will be a precedent which will greatly limit the natural growth of corporations and other business entities which are leaders in their respective fields and will, to a large degree, lessen the value of the good will attached to their names; and it will place a premium on deception of the public by the imitation of names which have become well known and entitled to trust and confidence.

The decision of the majority in the Court of Appeals is

not based on any special or peculiar facts, as respondent's counsel would have this Court believe, but on the strikingly mistaken view that petitioner had no legal right to add fuel oil to its line of fuel products and cannot continue that large branch of its business, however honestly and innocently, under the name "Consumers Company" by which it was widely known long before respondent adopted its imitative name. *The bare question of the use by petitioner of its own name (with the unfortunate precedent which would result from a denial of this right) is all that is involved.*

As pointed out in the petition, it was held by the Master and the District Court, and in both the majority and dissenting opinions of the Court of Appeals, that there was no fraud, palming off or misrepresentation of any kind by petitioner. As stated in the majority opinion, "there is nothing in defendant's conduct that demonstrates a lack of honesty or good faith." Therefore there is no issue of fact presented but only the single legal issue above stated.

Respondent states in its brief at page 11:

> "Petitioner argues that it was natural to expect it to extend its business from coal and coke to fuel oil. This *we do not deny*, but it cannot engage in the new field *in a manner* inimical to one already in the field." (Italics ours.)

If it was "natural", and therefore proper, (as it certainly was) for petitioner to extend its fuel business to include fuel oil, there clearly is no ground for an injunction, because the "manner" in which petitioner has used its name is not in question. Not one unfair or improper act by petitioner has been proved or even suggested.

Respondent's position thus presents an absolute paradox. It, in effect, admits in one breath that petitioner has the

right to engage in the fuel oil business (as it could not well deny) and in the next (by contending that petitioner may not use its name in that business) says it may not exercise such right. By pretending that the "manner" of use is in some way involved (which it must know, and which has been unanimously held, not to be true), respondent seeks to divert attention from this contradiction and to obtain indirectly what it could not with any reason ask directly, namely *an injunction which would prevent petitioner from engaging in the fuel oil business.*

Obviously a corporation cannot be identified except by its name and if it may not use its name in a line of business *it cannot engage in that business.* Respondent has never had the temerity openly to contend that petitioner may not carry on the fuel oil business. In fact it has throughout the case ostensibly admitted that it may, as, for instance, in its brief in the Court of Appeals in which it said at page 96: "We concede that defendant had a right and still has a right to engage in the fuel oil business." But by urging, as it does on page 13 of its brief here, that "petitioner be enjoined from using its corporate name or the trade name 'Consumers' in the sale and marketing of fuel oil", *it belies its words and seeks the very result which it elsewhere admits it is not entitled to.*

The majority in the Court of Appeals evidently failed to perceive this dilemma and has reached a result so shocking to one's sense of equity and so contrary to the established law of corporate names that we feel very strongly that this is one of those exceptional cases which should be taken by this Court on writ of certiorari.

Petitioner, at the time respondent entered the fuel business, (Dec. 28, 1925) under the same name (with the insertion of the word "Petroleum"), and using a similar trade symbol (the distinctive seal shown at page 225 of the

Record), was one of Chicago's largest and best known businesses. (Tr. 89, 90, 187.) Respondent's purpose in so simulating petitioner's name and seal was crystal clear. That this purpose was, to some extent at least, accomplished is shown by the testimony of one of respondent's own witnesses, Stephen Benicke, who said (Tr. 68) that "I was not familiar whether Consumers Coal and Coke [evidently referring to petitioner] was the main plant and the Petroleum Company was a subsidiary whereby they sell their oil from." Whatever slight confusion was shown by the evidence resulted solely from respondent's wilful imitation of petitioner's name and obviously there was no difference in this respect after 1938 than before that year.

To permit one who not only was much later in entering the fuel field but whose bad faith is clearly apparent, to prevent the older corporation from making a natural extension of its fuel business under the name which it established and to which it gave meaning in the fuel field in the Chicago metropolitan area would be so inequitable and unprecedented as to be incredible. And, as above mentioned, the consequences of such a precedent, particularly in encouraging unscrupulous persons to appropriate established company names for a closely related line of business, thereby misleading the public and reaping where others have sown, would be so serious that the case has a degree of public importance calling with unusual clarity for intervention by this Court.

Respondent further seeks to becloud the facts of the case by quoting on page 10 of its brief an excerpt from the majority opinion which, standing alone, seems to say categorically that petitioner did not start in the fuel oil business until 1938. As a matter of fact the opinion elsewhere (as at Tr. 333) recognized, as is the indisputable fact, that petitioner entered the fuel oil business in 1927, not 1938. The opinion acknowledged (Tr. 333) that "defendant sub-

sequent to 1927 advertised fuel oil to a limited extent" and it quoted (at Tr. 332) a portion of the Master's report in which it was said: "Commencing in 1927, Consumers Company [defendant] began advertising the sale of fuel oil for domestic users and began the solicitation of orders therefor." In a later quotation from the report on the same page the following appears: "Defendant continued to carry on its method of selling fuel oils as it had done since 1927." Respondent knew all about petitioner's entry into the fuel oil business in 1927, as shown, for example, by the petitioner's advertisements in the January 1928 Chicago classified telephone directories next to respondent's listing. (Df's Exhs. 108-110, Tr. 99. See also Tr. 287, 229 and 239.)

The fact of the 1927 date being fully established, it is wholly immaterial that no reference was made to fuel oil (or to certain of its other products) in petitioner's annual reports until the 1939 report. Respondent's statement on page 8 of its brief that this report said petitioner "had entered the fuel oil business" the previous year misquotes the report, which in fact said petitioner entered the *distribution* of fuel oil in that year. It had previously had its deliveries made by the oil company from which it bought its oil and this was merely an announcement of a change in method of delivery. The inferences sought to be drawn from other circumstantial evidence, as, for example, Df's Exh. 201 [200] mentioned in the majority opinion are likewise unwarranted and immaterial in the face of the incontrovertible proof of the 1927 date. Incidentally said Exh. 200 is wholly incompetent against petitioner because the only evidence regarding it was that it was written by respondent, not petitioner.

It is true that petitioner's volume of fuel oil sales was not large until 1938 but, without doubt, such sales were continuous and widely advertised from 1927 on, as shown on page 7 of our petition, and the statement in the ma-

jority opinion (Tr. 333) that petitioner "made no sales of such fuel oil under its corporate name until 1938" is plainly mistaken. Every sale it made was under its corporate name and for its own account and under its regular guaranty. This is shown by petitioner's sales tickets, on all of which petitioner's name as the seller (not as agent) appears. A few of these (Df's Exhs. 159-162; Tr. 192, 193) were offered in evidence and it was stipulated that these were typical of all the tickets contained in a bundle over a foot high (covering the period 1927-1938) which was produced at the hearing. The above-quoted statement in the opinion is thus directly contrary to the undisputed evidence.

Respondent's brief at page 2 misquotes the findings of the Master, particularly in saying that he found respondent had built up a very valuable good will "for respondent company, its business, its products and its trade names". The Master in fact made no reference to names but merely said (Tr. 332) that respondent had "spent large sums of money in and about advertising the products it offered for sale, for the purpose of building up a good will for those products. It has built up a very valuable good will". He made exactly the same finding in respect to the petitioner. (Tr. 331.) By no possible stretch of the language is this a finding of secondary significance in the respondent's name, and the majority opinion did not say it was. As shown on page 3 of our petition, there was no finding by the Master or either Court of secondary significance attaching to the respondent's name, whereas the District Court, in effect, found that the name "Consumers" had acquired a secondary significance in the fuel business in the Chicago area indicating the petitioner, not the respondent. (Tr. 280, 304.)

As to advertising, respondent's volume was infinitesimal as compared with petitioner's. It ranged from $500 per

year up to $5,000 or $6,000 for the years 1925 to 1939 (Tr. 47), whereas petitioner's advertising of all its products for the years 1925 to 1941 totaled over $1,000,000. (Tr. 89, 90, 187.) The reason that respondent, with all the lexicon of names and trade-marks to choose from, copied petitioner's name and trade symbol (the seal) is perfectly plain, and it has offered no explanation whatever to rebut the natural inference from its conduct.

We will take space to comment on only one other point in respondent's Statement. On page 5 it says "The Circuit Court of Appeals sustained the Master both as to the facts and the law" on the injunction phase of the case. This is not true. As pointed out on page 8 of our petition, the majority opinion (Tr. 331) expressly declined to pass on the question of whether the Master's findings or those of the District Court should be accepted as presumptively correct, saying that the different result reached by the Court "was occasioned in the main by the application of different principles of law." The District Court rejected the findings of the Master in the exercise of the discretion vested in it by Rule 53 (e) (2), FRCP, and made its own findings. They are fully supported by the evidence and by common sense. The Court of Appeals would have had no right under Rule 52 (a) to reject them unless found "clearly erroneous", and it did not do so. Therefore the facts must be taken to be as set out in the District Court's findings. It is submitted that a reading of these findings (Tr. 300-305), and of the Court's comments on which they were based (Tr. 275-297), can leave no possible doubt of the grave error of the majority opinion in holding that, notwithstanding the facts thus found, an injunction should be issued restraining petitioner from engaging in the fuel oil business under the name by which it has been known to most of the residents of Chicago and its environs for 35 years.

The Authorities Relied On in Respondent's Brief.

On the point as to whether the basic legal question here involved is one of local or federal law, or to some extent both, the decisions cited on page 9 of the respondent's brief are among those we had in mind in saying on page 5 of our petition that it is primarily a matter of local law. However, decisions of the federal courts, insofar as they express the local law or are not in conflict therewith, are of course pertinent and those cited in the brief in support of the petition are of that nature. As above pointed out, the present case is not one based on peculiar facts (except as the attempt of a junior corporation, which undoubtedly adopted its name in bad faith, to prevent a senior one, which in good faith had earlier built up a valuable good will in the name in the same general field, presents a most unusual situation), and the only question involved is whether petitioner's continued marketing of fuel oil, honestly and in scrupulous good faith, constitutes, *per se,* unfair competition. No case is cited supporting in any fair way such a proposition. Not one of the eleven cases listed on page 10 of the brief is in any real sense parallel to the present one. Without taking space to comment on them individually it is clear that where injunctive relief was granted in litigation between private parties, fraud, palming off, or some other form of deceit, and usually also a strong secondary meaning in the plaintiff's name, was involved.

Most of these cases were summarized in Judge Minton's dissenting opinion. (Tr. 347.) None of them in the slightest degree refutes or is inconsistent with the rule gathered from a long line of cases referred to in the brief in support of our petition, namely that to entitle a private party to an injunction in a case involving the use of similar names there must be fraud, deception or palming off

on the part of the defendant, or at least the plaintiff's name must have acquired a secondary meaning. None of these elements being present here, there is no possible valid ground for an injunction.

With reference to respondent's attempt to draw a distinction on page 14 of its brief between cases of "confusion of source" and those of "confusion of goods", if there be in fact any such line of distinction it is clear that the above-stated rule by its very statement applies even more aptly to the former class of cases than to the latter.

Regarding the case of *Lady Esther, Inc.* v. *Lady Esther Corset Shoppe,* 317 Ill. App. 451, referred to on pages 10, 13 and 14 of respondent's brief, this case, as pointed out on pages 13 and 14 of our petition, was based on strong secondary significance (not present here), and also on an element of fraud in the adoption by the second-comer for a non-competing business of a distinctive and well known name closely similar to that of an established company, which would lead the public to believe that there was some connection between the two companies. Very plainly that is not anything like this case.

As we also pointed out in the brief accompanying our petition, the *Lady Esther* case established an exception for that particular kind of a case to the general rule that palming off is an absolute essential of an unfair competition case in Illinois. The court expressly said that in the cited cases establishing that rule there was direct competition between the parties "and therefore the palming off rule was applicable." A *fortiori,* it is applicable here and the majority opinion, in holding for the plaintiff on the injunction issue in the admitted absence of palming off, is very clearly in conflict with this explicit and definite rule of Illinois law.

The *Esso, Inc.* v. *Standard Oil Co.* case, 98 F. 2d 1, was a case in which the trade-mark "Esso" of the Standard Oil

Company of N. J. was being used by its subsidiary Esso, Inc. in the territory of the Standard Oil Company of Indiana, which had long used the initials "S O" as a mark of identification. This was a clear case of infringement in which use by the defendant of the phrase "Not connected with the Standard Oil Company (Indiana)" was held for obvious reasons to be inadequate to avoid confusion. To the public "Esso" or "S O" referred to the "Standard Oil Company" and few people would distinguish between the New Jersey and Indiana companies. The case plainly has no application here.

The majority opinion in the present case has no support in the decisions cited by respondent and is completely at variance with the decisions of the Illinois and federal courts referred to in the brief in support of our petition. It also amazingly disregards and goes counter to the equities of the case.

Conclusion.

Accordingly we again submit that the case presents a question of great importance to the public as well as to the petitioner which has been decided by the divided opinion in the Court of Appeals in a way definitely in conflict with the applicable Illinois and federal decisions and that for this reason the injunction issue should be reviewed by this Court on writ of certiorari.

Respectfully submitted,

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